

Legal Update New Cybersquatting Law Brings Mixed Reactions from Trademark Owners

Aaron L. Melville[†]

I. INTRODUCTION

Congress has recently passed Internet legislation aimed at preventing cybersquatting.^[1] “Cybersquatting” refers to the registration of popular Internet addresses (domain names) by non-trademark owners with the intent of making a profit by reselling these addresses to the legitimate trademark owners.^[2] Legitimate trademark owners have been faced with the piracy of their marks by earlier registrants of domain names.^[3] In response, Congress enacted the Anticybersquatting Consumer Protection Act (“ACPA”) on November 29, 1999,^[4] amending the Lanham Trademark Act.^[5]

Under the law, cybersquatting is actionable based solely on the bad faith registration of the domain name applicant.^[6] This approach, however, is a departure from previous United States jurisprudence requiring the bad faith use of the trademark.^[7] Congress decided that “legislation [was] needed to clarify the rights of trademark owners with respect to bad faith, abusive domain name registration practices, to provide clear deterrence to prevent bad faith and abusive conduct, and to provide adequate remedies for trademark owners in those cases where it does occur.”^[8]

The legislation was passed despite the newly launched uniform dispute resolution process developed by the Internet Corporation for Assigned Names and Numbers (“ICANN”), the nonprofit group primarily responsible for administering the Internet.^[9] Under the ICANN process, disputes over domain names would be handled through mandatory arbitration.^[10] This process would “benefit small-business defendants who do not have the financial resources to battle major corporations in court.”^[11] Some critics view the new cybersquatting law as premature because the ICANN dispute process has not been given the opportunity to work yet.^[12] However, others believe that trademark owners would not use the ICANN dispute process effectively.^[13]

II. THE ANTICYBERSQUATTING ACT

The main focus of ACPA is on three aspects of civil actions based on trademark-infringing domain name registration: bad faith registration, jurisdiction, and statutory damages.^[14] First, the Act holds a person civilly liable to the owner of a trademark if that person “has a bad faith intent to profit from that mark,” and “registers, traffics in, or uses a domain name that . . . is identical or confusingly similar. . . .” to a mark that is distinctive when registered.^[15] The ACPA applies to trademarks that are considered “famous,” as well as trademarks, words, or

names protected under other sections of the United States Code.^[16] Furthermore, the Act includes a non-exhaustive list of factors to be used in determining whether a person has the requisite bad faith.^[17]

Second, the Act provides for *in rem* jurisdiction^[18] against the domain name itself.^[19] “A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner.”^[20] The grant of *in rem* jurisdiction will alleviate this difficulty.

^[21] Specifically, the owner of a trademark may file an *in rem* action “against a domain name in the judicial district in which the ... domain name authority that registered or assigned the domain name is located if ... the domain name violates any [of the registered trademark owner’s rights].”^[22] Furthermore, to allow *in rem* jurisdiction, the court must find either that the trademark owner is not able to obtain *in personam* jurisdiction over the alleged violator, or that “through due diligence” the owner was unable to locate the person after attempting appropriate notification of the alleged violation.^[23] The text of the Act establishes that this *in rem* jurisdiction is supplemental to any other jurisdiction that otherwise exists, whether *in rem* or *in personam*.^[24] Additionally, the damages available under the ACPA’s *in rem* jurisdiction are limited to “forfeiture or cancellation of the domain name or the transfer of the domain name” to the legitimate trademark owner.^[25]

The final aspect of the Act focuses on damages and remedies.^[26] The Act allows a court to award a plaintiff injunctive relief barring the defendant from further use of the domain name, as well as the “cancellation of the domain name or the transfer of the domain name to the plaintiff[.]”^[27] and/or actual damages and profits.^[28] In addition, the court may award attorney’s fees and costs to the prevailing party at its discretion.^[29] The Act further provides statutory damages in an amount between \$1,000 and \$100,000 per domain name.^[30] This damage award is in lieu of actual damages and profits and may be requested at any time before the trial court enters its final judgment.^[31] The actual amount of statutory damages awarded is entirely within the court’s discretion.^[32]

Notably, the ACPA grants authorities that register domain names limited liability.^[33] Domain name registrars will generally be immune from paying monetary damages.^[34] They will only be subject to injunctive relief if they do not expeditiously provide requested documents regarding domain name registration to the court and fail to comply with any subsequent court order.^[35]

III. COMMENTS AND CRITICISM

Congress believed that there was a need for the new cybersquatting legislation due to the inability of standard trademark protection to resolve the thousands of disputes occurring each year.^[36] Additionally, Congress felt that the dispute resolution policies set by Internet domain

name registries, like ICANN, would be unable solve the problems,^[37] even though the Department of Commerce designated ICANN to set up a globally-based system for Internet management, including trademark issues.^[38] Congress stated that because of the obstacles in fighting domain name infringements, many trademark owners “simply ‘pay off’ cybersquatters, in exchange for the domain name registration, rather than seek to enforce their rights in court.”^[39]

Opponents of cybersquatting legislation claim it infringes free speech rights, overlooks small business and individual interests, and lacks international scope.^[40] One critic commented that a cybersquatting law would create “new rights for trademark holders specifically relating to domain names that could threaten free speech.”^[41] Additionally, the Act is seen to undermine ICANN’s dispute resolution process, which, while less than perfect, has begun to establish a consensus concerning the complicated issues surrounding international trademarks.^[42] However, defenders of the legislation claim that the law strikes a balance and protects legitimate trademark uses from fraudulent ones.^[43]

The first lawsuits based on the ACPA were filed just weeks after its enactment. Harvard University filed one of the first high-profile complaints under the Act on December 6, 1999.^[44] The complaint is seeking an injunction against the defendant, who has registered 65 domain names relating to Harvard and Radcliffe.^[45] In another case, the New York Yankees have brought a cybersquatting lawsuit against a fan that registered the name www.newyorkyankees.com two years ago.^[46] The fan claims that he registered the name to build a fan web site.^[47] Although he claims that he never intended to sell the name, he now faces civil liability under the ACPA.^[48]

[†] B.S., 1993, Montana State University; M.S., 1995, Montana State University; J.D. (anticipated), 2001, Boston University School of Law.

[1] See Jennifer L. Alvey, *Trademarks: Trademark Interests Welcome Cybersquatting Law, Others See New Dispute Policy Derailed*, Pat. Trademark & Copyright L. Daily News (BNA) (Dec. 10, 1999), available in WESTLAW, 12/10/1999 PTD d2.

[2] See Elizabeth Clampet, *ICANN Gives Nod to Cybersquatting Proposal* (last modified May 28, 1999) <http://www.internetnews.com/bus-news/print/0,1089,3_128931,00.html>.

[3] See S. REP. NO. 106-140, at 4 (1999).

[4] Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3002, 113 Stat. 1501, 1537 (1999) (to be codified at 15 U.S.C. § 1051 *et seq.*).

[5] Lanham Trademark Act, 15 U.S.C. §§ 1051 *et seq.* (1994 & Supp. III 1997).

[6] See Alvey, *supra* note 1. Before the ACPA, there was some confusion about whether registration of a domain name was enough to demonstrate “use” under the Trademark Act. See, e.g., 4 J. THOMAS MCCARTHY,

MCCARTHY ON TRADEMARKS § 25:77, at 25-153 n.9 (1998) (suggesting that early cybersquatting cases stretched the meaning of trademark use to “reach the reprehensible actions of a cybersquatter.”).

[7] *See* Alvey, *supra* note 1.

[8] S. REP. NO. 106-140, at 7 (1999).

[9] *See* Evan Hansen, *House, Courts Make Decisions on Cybersquatting* (last modified Oct. 26, 1999) <<http://news.cnet.com/category/0-1005-200-1402912.html>>.

[10] *See id.*

[11] *Id.*

[12] *See* Alvey, *supra* note 1 (quoting Gerry Davis, a lawyer who represents many small business owners).

[13] *See id.* (quoting Sarah Deutsch, chief intellectual policy counsel at Bell Atlantic Inc.).

[14] *See* Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, §§ 3002-03, 113 Stat. 1501, 1537 (1999) (to be codified at 15 U.S.C. § 1051 *et seq.*).

[15] *Id.* § 3002(a).

[16] *See id.*

[17] *See id.* Some of the factors include:

(I) the trademark or other intellectual property rights of the person... (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services... (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain ... (VI) the person's offer to... sell... the domain name to the mark owner... for financial gain without having used, or having an intent to use, the domain name... [and] (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain. . . .

Id.

[18] *See* BLACK'S LAW DICTIONARY 794 (6th ed. 1990) (“*In rem* jurisdiction. Refers to an action that is taken directly against the defendant's property.”).

[19] *See* Anticybersquatting Consumer Protection Act § 3002(a).

[20] S. REP. NO. 106-140, at 10 (1999).

[21] *See id.*

[22] Anticybersquatting Consumer Protection Act §§ 3002-3003.

[23] *Id.*

[24] *See id.*

[25] *Id.*

[26] *See id.* §§ 3002(b), 3003(a)-(b).

[27] *Id.* § 3002(b).

[28] *See id.* § 3003(b).

[29] *See id.* § 3002(b).

[30] *See id.* § 3003(b).

[31] *See id.*

[32] *See id.*

[33] *See id.* § 3004.

[34] *See id.*

[35] *See id.*

[36] *See* S. REP. NO. 106-140, at 7 (1999).

[37] *See id.*

[38] *See* Alvey, *supra* note 1 (noting that the ICANN dispute resolution policy “is the result of the Commerce Department, ICANN and the World Intellectual Property Organization working together on a globally acceptable solution to trademark issues on the Internet.”).

[39] S. REP. NO. 106-140, at 7.

[40] *See* Alvey, *supra* note 1 (“[T]rademark law has been expanded to the point of upsetting the balance between property rights and other interests, such as fair use and free speech.”); *see also White House Opposes Cybersquatting Bill*, REUTERS, Oct. 28, 1999, available at <<http://www.zdnet.com/zdnn/stories/news/0,4586,2383443,00.html>> (discussing the need for a more internationally focused solution to Internet trademark problems); Mikki Barry, *Cybersquatting Bill Would Harm Legitimate Communication and Small Business* (last modified June 28, 1999) <<http://domain-name.org/Cybersquatting.html>> (“Protection for big business without taking consumers and small businesses into consideration will stifle the very communication that makes the Internet desirable as a medium of commerce.”).

[41] Hansen, *supra* note 10 (quoting Stanton McCandlish of the Electronic Frontier Foundation (“EFF”), an organization that works to safeguard online rights).

[42] *See id.* (quoting Stanton McCandlish of the EFF).

[43] *See id.*

[44] *See* *Fellows of Harvard College v. Michael Rhys*, No. 99CV12489RCL (D. Mass. filed Dec. 6, 1999); *see also* *Harvard Uses Cybersquatting Law for Infringement Suit: University Seeks Injunction, May Pursue Damages Later*, E-COMMERCE L. WKLY, Dec. 30, 1999, *available in* (last modified Dec. 30, 1999) <<http://www.lawnewsnetwork.com/practice/techlaw/news/A11878-1999Dec17.html>> [hereinafter *Harvard Uses*].

[45] *See Harvard Uses*, *supra* note 45.

[46] *See* *New York Yankees v. Brian McKiernan*, No. 99CV8449 (E.D.N.Y. filed Dec. 23, 1999); *see also* Mary Huhn, *Yanks Sue Queens Fan; Boss Wants His Website*, N.Y. POST, Dec. 29, 1999, at 34.

[47] *See* Huhn, *supra* note 47.

[48] *See id.*